Government Purchasing Agency

2013-14 Annual Report

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Message from the Minister

In keeping with Government's commitment to transparency and accountability, it is my pleasure to present the Government Purchasing Agency's (Agency) 2013-14 Annual Report. As Minister responsible I am accountable for the results presented within this report. This is a performance-based report that reflects the success of meeting the objectives outlined for 2013-14 as well as the goals of the 2011-14 Business Plan.

This was an exciting year for the Agency as it saw the finalization of several contracts under the Strategic Procurement Project. The consolidation of the procurement requirements on behalf of a number of public bodies led to greater savings for the public sector as well as increased efficiencies in process. Given this success, and in support of the Procurement Reform Initiative and Government's 10 Year Sustainability plan, the Agency is continuing with this strategic approach and has identified several potential opportunities for the 2014-15 year.

I would like to take this opportunity to acknowledge the outstanding commitment of the staff of the Government Purchasing Agency. I look forward to their continued dedication in the future.

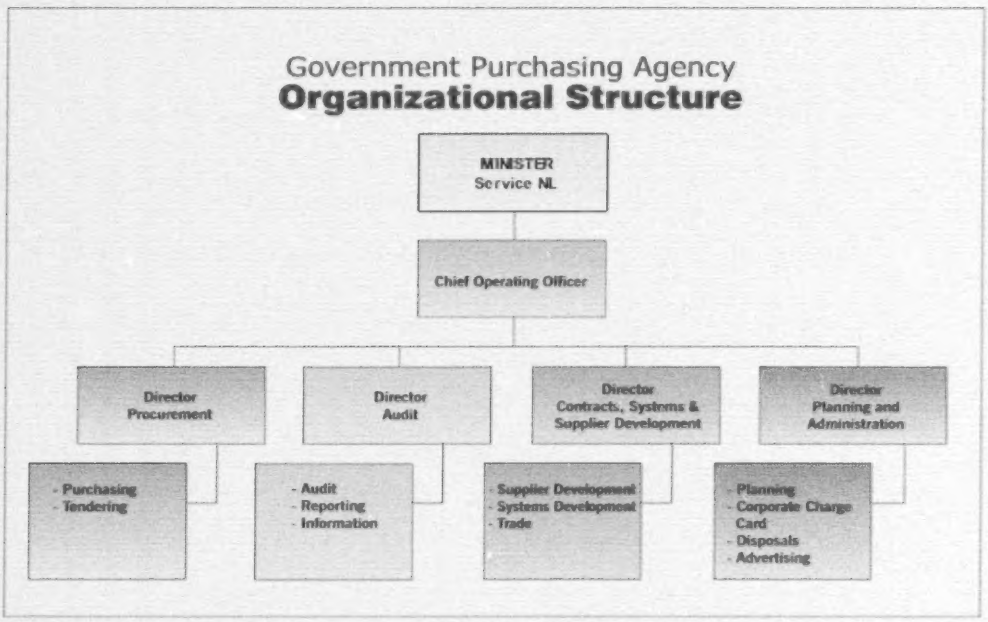
Sincerely,

David Brazil

Minister

Agency Overview

The Government Purchasing Agency (the Agency) is an independent branch of the public service under the management and control of a Chief Operating Officer. The Agency provides procurement, information and training services to Government departments and government-funded bodies. While its head office is located in the Petten Building, 30 Strawberry Marsh Road, St. John's, staff have been located in various departments to optimize service delivery. The Agency has 36 staff positions, with a female to male ratio of 3.8:1.



Primary clients of the Agency include departmental and government-funded body employees and members of the local supplier community. The Agency provides all stakeholders access to up-to-date procurement information through its website at www.gpa.gov.nl.ca. This site provides details on bidding opportunities that are available to the public, information on legislation, agreements, terms and conditions for procurement and contract award information.

Authority for the Agency's operation is provided through the *Government Purchasing Agency Act* and the *Public Tender Act*:

- *Government Purchasing Agency Act* - outlines the mandate of the Agency and provides for its operation.
- *Public Tender Act* - primary legislation that governs procurement within the public sector.

Vision

The vision statement outlines the ideal state that the Agency is striving to achieve and provide guidance to its programs and services.

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

Misson

By March 31, 2017 the Government Purchasing Agency will have enchanced its Business processes.

Mandate

The Agency's mandate is derived directly from the *Government Purchasing Agency Act* and includes the following:

Acquisition of goods and services required by Departments of the public service. The Chief Operating Officer may delegate this authority, in full or in part, to Departments where it is deemed efficient to do so.

- The Agency may acquire goods and services required by a government-funded body when efficient to do so. This action requires direction from the Lieutenant-Governor in Council.

- Responsibility for a joint purchasing advisory board, currently the Central Purchasing Authority (CPA). The CPA is responsible for the coordination of a number of high volume contracts for use by Departments and government-funded bodies.

- Reporting of exceptions to the *Public Tender Act* and awards to other than the preferred bidder to the House of Assembly.

- Where exceptions to the *Public Tender Act* are reported, the Chief Operating Officer has the authority to express an opinion with respect to the sufficiency of the grounds for using the exception.

- Auditing of Department and government-funded body acquisitions to ensure compliance with procurement legislation.

- Provision of training to members of the public service to ensure awareness of applicable legislation and purchasing policies and procedures.

Lines of Business

The Government Purchasing Agency has two lines of business:

Procurement

The Agency procures goods and services on behalf of government departments in accordance with the *Public Tender Act* and Regulations, trade agreements and

established policies and procedures. The Act indicates that any requirement with an estimated value in excess of $10,000 be publicly advertised unless special circumstances exist. Requirements with an estimated value less than or equal to $10,000 require either three quotes or the establishment of a fair and reasonable price.

The Agency provides direction and guidance to Departments during the preparation of a request for good and services and issues and advertises the solicitation documents on their behalf. Procurement officials review and evaluate supplier submissions to ensure compliance with terms, conditions and specifications. The final step of the procurement cycle is completed when a contract is awarded by the Agency to a successful supplier.

Audit, Information and Training

The Agency provides information and training regarding the *Public Tender Act*, *Government Purchasing Agency Act*, Atlantic Procurement Agreement, Agreement on Internal Trade and purchasing policies and procedures. This information is available to Departments, government-funded bodies and the supplier community.

The Atlantic Procurement Agreement and the Agreement on Internal Trade allow local businesses to compete for Government tenders throughout the country. An important component in being competitive is for suppliers to remain up-to-date with respect to the public procurement process. Through partnership with the Department of Innovation, Business and Rural Development the Agency provides forums for the public to gather information on the public procurement process and how the supplier community can become involved.

Tender and award information is also collected from Government entities. This data

allows the Agency to monitor procurement patterns across Newfoundland and Labrador and the success of local companies when competing for Government business.

The Agency's auditing function promotes accountability and proper application of procurement legislation throughout the public sector. Departmental and government-funded body audits continued throughout the year to ensure legislative compliance.

Shared Commitments

The Agency continues to develop and maintain relationships with Government departments, government-funded bodies, the industry sector, provincial, federal and territorial governments.

Public Sector

In support of Government's strategic direction, "Procurement – Enhanced service delivery through training and improved business processes", the Agency committed to modernizing procurement legislation and increasing access to public procurement training opportunities. Departmental and government-funded body representatives have been actively engaged through a consultative process in the review of the existing procurement legislation, policy and processes. This review has identified a procurement framework that focuses on best value, enhanced transparency and accountability, increased effiencies and consistencies and greater supplier involvement.

In conjunction with this review, the Agency is actively promoting consolidated procurements within the public sector through the strategic procurement initiative. Where demand warrants, purchase requirements are combined to increase the buying power through economies of scales, obtain better value and gain efficiencies in government procurements.

The Agency also supports the Department of Innovation, Business and Rural Development (IBRD) with the procurement component of on-going trade negotiations. Information respecting Newfoundland and Labrador's current legislative and trade commitments is provided to the negotiation team to support the province's position. This information is vital in ensuring the province is not disadvantaged with respect to

its procurement practices.

In addition, Agency personnel continue to support the public service in the development of tender specifications, bid evaluation, the tendering and award process and the interpretation and application of relevant legislation.

Industry

The Agency is continuing in its partnership with the Department of IBRD to improve supplier access to public procurement opportunities. The Department of IBRD coordinates supplier information sessions and trade shows throughout the province. It has partnered with the Agency to promote awareness of Government procurement practices and potential bidding opportunities. This partnership directly supports the "Supplier Development" strategic direction as detailed in the Agency's 2011-14 Business Plan.

Federal/Provincial and Territorial Governments

The Atlantic Procurement Agreement and Agreement on Internal Trade are intergovernmental trade agreements which have established a framework ensuring equal access to procurement for suppliers across provincial borders. These agreements have contributed to the development of a stronger economy through the reduction in trade barriers and purchasing costs. Through the administration of the procurement component of these agreements the Agency is supporting the Minister's commitment to supplier development and ensuring local suppliers have an equal opportunity when bidding on Government tender opportunities throughout Canada.

Highlights and Accomplishments

Purchasing

Phase two of the Strategic Procurement Project continued throughout 2013-14. Detailed analysis of several expense categories were completed which included spend data from departments and government-funded bodies. Based on this analysis requests for proposals were issued and contracts awarded for:

- light-duty vehicles,
- bulk fuel,
- equipment parts,
- insurance,
- airfare,
- travel management services, and
- procurement/travel card.

This was a comprehensive process which incorporated negotiation in the evaluation and contracting phases and is anticipated to result in savings of approximately $20 million for the province. The utilization of this process places an additional onus on the monitoring of these contracts to ensure the province receives best value. This additional scrutiny will allow the Agency to further analyze the success of the contracts, enhance relationships with suppliers and broaden the spectrum of goods and services that may be acquired using a strategic approach.

The establishment of a contract for procurement cards for low dollar purchases provides users with an additional method of acquiring goods and services in an efficient and simplified manner.

Additional highlights and accomplishments in 2013-14 are as follows:

- Agency staff completed in excess of 19,000 procurement transactions.
- Five tenders for the disposal of Government assets were issued and one public auction was held.
- The Central Purchasing Authority coordinated the bulk purchase of 26 commodity groups to be used by both Government Departments and government funded bodies.
- Government Purchasing Agency administered 2,308 corporate travel cards.

Audit, Information and Training

The highlights listed below support transparency and accountability in the procurement process:

- 1,475 exceptions were reported to the House of Assembly. Each exception is reviewed for appropriateness and compliance with legislative requirements.
- Continued delivery of training in the procurement component of government's financial system and the legislative requirements of the *Public Tender Act.*
- Consultations with the industry sector and government funded bodies in the development of new procurement legislation and regulations.
    - Continued development of a policies and procedures document to accompany the proposed new legislation and regulations.

Issue 1: Enhanced Service Delivery

In the 2010-2011 fiscal year the Corporate Services initiative re-focused the responsibility for the procurement activities for low dollar value acquisitions from departments to the Government Purchasing Agency. Increased transaction volumes and additional staff responsibilities represented a challenge to the Agency to ensure that acquisitions previously made within departments would be transacted in an efficient and timely manner.

It was recognized that the Agency would need to enhance its business practices and processes to ensure that it continued to meet its mandate in an effective manner. Processes to simplify low dollar value purchases as well as the consolidation of procurement opportunities were identified as key focus areas. This was a comprehensive process that involved analysis of current processes, trends and benchmarks and models from other public bodies and jurisdictions.

Goal: By March 31, 2014, the Government Purchasing Agency will have begun implementing recommendations to enhance its business processes.

Measure: Recommendations for enhancements identified and implementation initiated.

Indicator: Report completed identifying potential recommendations.

Objective: By March 31, 2014 the Government Purchasing Agency will have begun implementing recommendations to enhance its business processes.

Measure: Implementation of recommendations has begun.

Indicator: Implementation of recommendations has begun.

The analysis and benchmarking completed in the initial two years of the Business Plan identified opportunities for enhancements to current business practices. The analysis of procurement transactions in the first year indicated that government departments were procuring similar items through individual solicitations. This can be an inefficient method of purchasing since economies of scale are not optimized and numerous resources are involved in performing the same task.

During the second year a spend analysis was completed which benchmarked specific item categories and compared our province's spend on goods and services with other provinces. This resulted in an identification of specific items that could be consolidated for procurements through the utilization of a negotiated Request for Proposal process.

This new process was implemented in the 2013-14 fiscal year and the awarding of a contract for the acquisition of light-duty vehicles was the first step in the business change process. This contract was followed by others with public entities combining requirements to capitalize on reduced costs. One Request for Proposal had replaced multiple tenders that would have been necessary under previous practices. This combined approach enabled entities within the Province to leverage their purchasing power and provided the ability to negotiate lower prices.

The awarding of the Purchasing Card (P-Card) contract and subsequent implementation represents further enhancements to the Agency's business process. The P-Card will provide a fast and efficient procurement tool for low-dollar procurements. Use of the card will streamline the process and eliminate the administrative burden. It will also provide the Agency with a tool to analyze low-

dollar spending patterns in an effort to identify further consolidation opportunities.

Issue 2: Access to Training and Development Opportunities

Improving access to training and development began in the 2011-12 fiscal year. Consultations with Provincial and Federal Governments to identify procurement best practices and development programs were carried out. These discussions highlighted the need for a revised training and development program.

This was followed in 2012-13 by an analysis of available procurement training programs. Several programs were tested and compared to the requirements the Agency deemed essential for both current and future operations.

The Strategic Procurement Project also assisted in identifying training and development requirements. The pending legislative reform, on-going trade negotiations and changing contract law further heightened the awareness for a development strategy. While it was recognized there are longstanding legal and procedural processes which must be followed, there are many changes which can be implemented within these boundaries. Ensuring public sector procurement staff have the knowledge and skills necessary to operate within these changes is crucial to ensuring success.

Goal: By March 31, 2014, the Government Purchasing Agency will have created a training and development strategy.

Measure: Training opportunities identified.

Indicator:

- Report developed identifying various training programs.

- Training strategy developed.

Objective: By March 2014, the Agency will have created a training and development strategy.

Measure: Training and development strategy created.

Indicator:

- Report developed identifying various training programs.
- Training and development strategy developed.

A review of various procurement opportunities was completed and a report outlining both formal certificate programs as well as individual courses was prepared. This information was compared with the actual needs of the Agency and a multi-faceted strategy was developed incorporating multiple delivery methods and a combination of training approaches.

While the *Public Tender Act* remains in effect, Agency staff will continue to operate within the confines of the existing legislation. However, given government procurement has taken a more strategic, consolidated approach the training and development will focus on these areas. Existing in-house resources will be utilized to further expand the existing knowledge base. Incorporation of external resources will occur as the training progresses.

Dedicated Agency personnel will continue to provide training and information sessions to government funded bodies where a need has been identified either by the entity or the Agency. Through its ongoing audit and compliance review process the Agency will identify entities requiring training on the legislation and proper processes.

Opportunities and Challenges

In its 10-Year Sustainability Plan Government committed to reducing both expenditures and the net debt. Budget 2014 reiterated this commitment, however, also balanced the focus with a commitment to "supporting continued economic and social prosperity". Procurement has an immediate and direct effect in supporting Government in carrying out these initiatives.

The recent success of the Strategic Procurement Project demonstrated the savings potential of consolidating procurement needs. Alternative procurement techniques were also identified as tools to reduce expenditures. Agency staff are actively reviewing Government procurements in an effort to identify new savings opportunities. The continuation of this initiative is a direct opportunity to support the economic priorities and future prosperity of the Province.

The Agency was also tasked with promoting and incorporating Government's green procurement initiative - "Buying Green! A Guide for Environmentally Preferable Products". To ensure a successful uptake of this strategy, Agency staff have been tasked with increasing the awareness of Green Procurement throughout the public sector. The supplier community must also be engaged and updated on this focus to ensure they are aware of government's requirements. This is a significant challenge to the Agency as it represents a shift in how we value the "true" cost of the goods and services we procure. Stakeholders have to be informed and educated on the new initiative and embrace the value of acquiring and utilizing "green products".

In its 2011 Blue Book, Government stated the Agency will acquire a procurement system which will provide supplier, product and bid opportunity information as an instrument to grow supplier capacity within the Province. The Agency continues

to work with the Departments involved to ensure upgrades meet the technical and transparency requirements of the Province. This process represents an opportunity to enhance current technology and introduce new procedures and enhanced reporting for use by procurement practicioners. This has proven to be a lengthy process. It is imperative to ensure any changes do not impede the security and integrity of government's financial reporting systems.

Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended March 31, 2014. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process, however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

Government Purchasing Agency
Statement of Expenditure and Related Revenues
For Fiscal Year Ending 31 March 2014

		Estimates	
	Actual	**Amended**	**Original**
Salaries and Benefits	2,908,554	2,922,400	2,147,700
Transportation and Communication	32,492	38,300	40,000
Supplies	18,018	18,200	20,000
Professional Services	83,035	84,100	25,000
Purchased Services	51,011	56,400	59,000
Property, Furnishings and Equipment	5,453	6,200	2,200
Less Revenue	(242,379)	(258,000)	(258,000)
Total: Government Purchasing Agency	**$2,856,184**	**$2,867,600**	**$2,035,900**

Newfoundland
Labrador